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Greece

Cotton and Products

Annual

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Report Highlights:

If weather remains favorable through harvest, cotton production in Greece is likely to continue to climb in 2006, in spite of new CAP reforms and difficult weather during planting. Part of this growing output can be attributed to increased yields from U.S. seeds. Even with the uncertainties associated with the implementation of the new reform for cotton, Greek farmers planted the total eligible acreage. Returns from this season will play a major factor in future plantings and the long-term impact of CAP reform.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Production

The final cotton output (seed cotton basis) for 2005 in Greece is reported at 1,200,000 MT. The product was of very good quality, due to the favorable dry weather conditions that prevailed during harvest. In spring 2006, cotton planting reached 370,000 Hectares. Due to a prolonged wet period and flooding in Central Greece (Thessaly Plains), cotton farmers had to replant their fields. Similar problems were reported for areas in Central and East Macedonia, but to a much lesser extent. This resulted in an increase in demand for planting seeds in April and the beginning of May. The national weighted-average yields for cotton in 2005 was in the neighborhood of 3,352 kg/Ha (seed cotton basis). Yields varied from region to region according to weather, soil conditions, seed variety used and irrigation capacity, but the average was between 3,000 Kg/Ha to 4,100 Kg/Ha. U.S. cottonseed for planting provides higher yields to Greek farmers, generally around 4,000 Kg/Ha, with high quality product. Weather permitting, the 2006 Greek cotton harvest could reach 1,240,000 MT (cottonseed basis) or 445,000 MT (lint basis).

The MY 2005/2006 weighted average ratio of seed cotton to lint yield for the 85 ginning plants operated in Greece, is reported at 36 percent. In bales (480 lbs), the 2005/2006 output is estimated at 1,984,200 bales, compared to 1,791,292 a year earlier.

Trade

Greek exports of cotton lint in CY 2005, were over 300,000 MT, valued at almost U.S. \$350 million, compared with U.S. \$359.0 million in CY 2004. Of the CY 2005 cotton lint sales, more than 61,000 MT were sold to EU-25 (valued at just over U.S. \$55.6 million), while Turkey absorbed 44% of 2005 Greek exports. In both 2004 and 2005, product quality was good and demands from traditional markets in Europe and neighboring countries were well satisfied. No significant stocks of lint are reported by the industry. Greek yarn producers buy high quality cotton lint (long staple) from Syria, Brazil, Egypt and Turkey. Although these quantities are limited, supplies have gradually increased in the past few years. Imports in 2005 reached 6,800 MT (valued at U.S. \$9.9 million), compared to just over 3,600 MT a year earlier. The Greek industry purchased over 450 MT of cotton lint (valued at U.S. \$ 0.2 million) from the U.S., mostly from California. Trade data cited in the attached PSD are rough estimates on a MY basis. Attached trade matrices supply precise GOG official data on a Calendar Year Basis.

Policy & Outlook

Marketing year 2005/2006 was the last year under the old CAP. As a result, only 1,100,000 MT of the total production were covered by the price subsidy system. The remaining 100,000 MT did not qualify for the EU price subsidy. Greek farmers received a price of approximately 0.88 - 1.0 Euros/Kg for the 1,100,000 MT covered under CAP. While the production not qualified for the EU price subsidy received 0.29 - 0.38 Euros/Kg. These prices were set for raw cotton delivered to the ginning plants (seed cotton basis).

According to GOG Ministry of Agriculture and cotton trade sources, the area planted to cotton for spring 2006 is currently estimated at 370,000 ha. This is an increase from 2005, which was 358,000 ha. Official sources expected a drop in acreage for 2006, given implementation of the new cotton CAP reform, and the fact that many farmers feared and/or had difficulty understanding the operation of the new system. On the contrary, this year farmers planted the total acreage threshold of 370,000 ha, following the "farm registration" procedure prior to planting, required under the new CAP. The threshold was implemented between GOG

Ministry of Agriculture authorities and farmer organizations. The GOG compiled a roster of eligible farmers, known in Greece as the List of Cotton Producers' Rights. In addition, the GOG Ministry of Agriculture instructed farmers to increase their cotton cultivation up to the new EU permitted threshold under the CAP reform. Following the EU policies on sugar reform, which discouraged a number of farmers from planting sugar beets, in some regions production on irrigated acreage was switched from beets to cotton. The GOG Ministry of Agriculture and the press have emphasized a recent press release (May 1, 2006) by the International Cotton Advisory Committee (ICAC), which reported an expected three percent increase in world consumption of cotton in MY 2006/2007. This would amount to almost half a million tons above world production, resulting in a reduction of world cotton stocks by July 31, 2007 and an increase in international prices, equivalent to an increase of the Cotlook A Index, by almost 20%, reaching U.S. 67 cents per pound.

According to the April 2004, Council of Agricultural Ministers decision concerning EU CAP reform for cotton, 65 percent of the budgeted envelope will be made available for de-coupled farmer's income aid. This amounts to €967.0/per hectare (Ha), with a total expenditure of €367.4 million. It will take the form of a decoupled payment, paid to cotton farmers whether they grow a cotton crop or not. The Greek Ministry of Agriculture has already prepared a roster of farmers qualified for decoupled aid. The acreage in question corresponds to the maximum area of 370,000 hectares decided by the Council.

Greek Cotton Area (Planted under CAP Reform)		MY 2006/07
Area Planted (Hectares)	Eligible	370,000
	Estimated	370,000*

* Cotton area planted in 2006 (preliminary estimate)

According to a GOG Joint Ministerial Decision (Ministers of National Economy and Agricultural Development & Food), No. 34395/Feb. 28.2006, (EU Regulations Nos. 1258/1999, 1782/2003, 1973/2004 & 796/2004), 35 percent of the budget envelope is dedicated to coupled payments for farmers growing cotton in 2006. In Greece, the new payment will be granted for a maximum area of 370,000 Ha. The original proposal was augmented to 370,000 from 340,000. If the eligible area planted with cotton exceeds the maximum area, the aid per hectare will be reduced proportionally. The Council split the 370,000 Ha base into two portions - the first 300,000 Ha is eligible for aid of 594.1 Euro/Ha and the remaining 70,000 Ha is eligible for the coupled aid of 342.85 Euro/Ha. The weighted average of the EU aid to be paid on a maximum acreage of 370,000 hectares of cotton in Greece is calculated at € 546.0/per hectare (Ha), for a total EU expenditure of €202.2 million. If target acreage is exceeded, a payment policy is applied for acreage up to 70,000 hectares. The reference period for the reformed CAP was taken from the average planted cotton acreage in calendar years 2000, 2001, and 2002.

Cotton CAP Reform (Beginning MY 2006/07)	Decoupled Payment	Coupled Payment	
Maximum Eligible (Hectares)	370,000	300,000	*70,000
Producer Payments (Euros/Ha)		€594.00	*€343.00
Weighted Average Payment to Producers (Euros/Ha)	€967.00	€546.00	
Percent of EU Budget for Cotton Farm Payments	65%	35%	
Total EU Budgetary Expenditure (Millions of Euros)	€367.4	€202.2	

*If planting exceeds the maximum eligible acreage, then the co-responsibility payment is reduced to the stated maximum.

Both farming organizations (farmer groups and cooperatives), as well as individual farmers, are eligible for this aid. Under the new policy, the EU will support cotton-farming organizations as long as total Greek cotton production stays under the permitted acreage limitation of 370,000 hectares.

Under the new CAP, assuming that no excess acreage is planted and that all cotton farmers on the roster raise cotton, these farmers will receive EU aids of approximately €967.0 /Ha (decoupled aid), plus approximately €546.0/Ha (partially coupled aid), plus the world price for cotton. We will report later this summer if 2006 Greek cotton plantings are in excess of the allowance.

Given these new developments, it is too early to predict average farmers' per area return or the gross farm income, until the beginning of the MY 2006/2007. These factors will be

decisive for the next cotton-growing season (2007/2008) and will help with estimates of the number of farmers likely to continue cotton production in years to come. Also, participation in the denitrification programs and the benefit from another EU subsidy of €646.0/Ha, is expected to last until 2009. For the current cotton-growing season, Greek farmers registered on the Cotton Producer's Rights List, have indicated that they are unlikely to abandon cotton. If by the end of the season, they find that their income was adversely affected by the new CAP reform, in following seasons they may decide to simply receive the de-coupled amount of €967.0/Ha and utilize land formerly planted to cotton for alternative crops, such as durum wheat, forest farming, tree crops and other commercial crops.

PS&D Table, Cotton

PSD Table

Country Commodity	Greece		Cotton		(HECTARES)(MT)		UOM
	2004	Revised	2005	Estimate	2006	Forecast	
Market Year Begin	USDA Official [Estimate[1]A	Official [Estimate[1]A	Official [Estimate[New]	MM/YYYY
	08/2004	08/2004	08/2005	08/2005	08/2006	08/2006	
Area Planted	0	380000	0	358000	0	370000	(HECTARES)
Area Harvested	375000	375000	355000	356000	0	368000	(HECTARES)
Beginning Stocks	84913	9908	104509	3758	146965	2508	(MT)
Production	391908	390000	430010	432000	0	445000	(MT)
Imports	2177	15000	4355	7000	0	6500	(MT)
MY Imp. from U.S.	0	250	0	400	0	420	(MT)
TOTAL SUPPLY	478998	414908	538874	442758	146965	454008	(MT)
Exports	254740	255000	293931	284000	0	290000	(MT)
USE Dom. Consumption	108863	155750	87091	156000	0	158000	(MT)
Loss Dom. Consumption	10886	400	10886	250	0	350	(MT)
TOTAL Dom. Consumption	119749	156150	97977	156250	0	158350	(MT)
Ending Stocks	104509	3758	146965	2508	0	5658	(MT)
TOTAL DISTRIBUTION	478998	414908	538873	442758	0	454008	(MT)

Export Trade Matrix, Cotton

Export Trade Matrix**Country** Greece**Commodity** Cotton

Time Period		Units:	MT
Exports for:	2004		2005
U.S.		U.S.	
Others		Others	
Italy	90074	Italy	38081
U.K.	6747	U.K.	3903
Austria	4310	Austria	2300
Germany	9458	Germany	12352
Other EU	6367	Czech Republic	1567
>EU Total	116956	Other EU	3254
Turkey	129610	>EU Total	61457
Egypt	37766	Turkey	138021
Bulgaria	14416	Egypt	43651
Tunisia	9730	Korea	13659
Total for Others	308478		256788
Others not Listed	50617		56514
Grand Total	359095		313302

Import Trade Matrix, Cotton

Import Trade Matrix

Country Greece

Commodity Cotton

Time Period		Units:	MT
Imports for:	2004		2005
U.S.	369	U.S.	469
Others		Others	
Italy	57	Italy	136
France	80	France	198
Germany	29	Germany	327
Hungary	59	Other EU	263
>EU Total	225	>EU Total	924
Turkey	1876	Turkey	2029
Uzbekistan	505	Syria	1301
Pakistan	317	Brazil	585
Bulgaria	44	Egypt	320
Total for Others	2967		5159
Others not Listed	272		1172
Grand Total	3608		6800